

Message Text

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67

ACTION ARA-20

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-07 H-03 INR-10 L-03

NSAE-00 NSC-10 PA-04 RSC-01 PRS-01 SPC-03 SS-20

USIA-15 ACDA-19 IO-14 AID-20 COME-00 EB-11 FRB-02

TRSE-00 XMB-07 OPIC-12 CIEP-02 LAB-06 SIL-01 OMB-01

INT-08 SCEM-02 EUR-25 DRC-01 IGA-02 /231 W

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P 262000Z OCT 73

FM AMEMBASSY CARACAS

TO SECSTATE WASHDC PRIORITY 1607

LIMITED OFFICIAL USE CARACAS 9188

E.O. 11652: N/A

TAGS: ENRG VE

SUBJ: PROCEDURES APPLICABLE TO PAYMENT OF ROYALTIES IN OIL

REF: CARACAS 9164

1. FURTHER TO REFTTEL, AGREEMENTS BETWEEN OIL COMPANIES AND VENEZUELAN GOVERNMENT CALL FOR 90 DAY NOTICE IF GOVERNMENT SHOULD DECIDE TO BEGIN TAKING ROYALTIES IN CRUDE OIL RATHER THAN IN CASH. SOURCE IN MINISTRY IMPLIED THAT GOVERNMENT WOULD HONOR THIS 90 DAY NOTIFICATION PROCEDURE. SOME COMPANY SOURCES HERE HAVE THEIR DOUBTS. THEY POINT OUT THAT IF GOVERNMENT DECIDES TO TAKE ROYALTIES IN FORM OF CRUDE OIL FOR POLITICAL PURPOSES THEY WILL WISH TO BEGIN REAPING PRESUMED BENEFITS AS SOON AS POSSIBLE. THEREFORE, GOVERNMENT MIGHT PUT PRESSURE ON COMPANIES TO WAIVE 90 DAY NOTICE OR MIGHT TERMINATE NOTICE PROVISION UNILATERALLY.

2. IF VENEZUELAN GOVERNMENT SHOULD DECIDE TO TAKE
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ROYALTIES IN FORM OF OIL, THEY HAVE TWO OPTIONS:

1) THEY CAN REQUIRE PAYMENT IN OIL FOR FIELDS THAT PRODUCE GOOD, READILY-MARKETABLE OIL, WHILE CONTINUING TO REQUIRE CASH ROYALTIES FOR POORER QUALITY OIL PRODUCED FROM OTHER FIELDS OR 2) THEY CAN REQUIRE THAT ALL ROYALTIES BE PAID IN OIL, IN WHICH CASE THEY WOULD RECEIVE A PROPORTION OF EACH TYPE OF OIL PRODUCED IN VENEZUELA. FOR MOST CONCESSIONS THIS PORTION WOULD BE 16 2/3 PER CENT, BUT SOME OF NEWER CONCESSIONS PAY 20 OR 25 PER CENT ROYALTIES.
MCCLINTOCK

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